



CB(1)1429/04-05(02)

New Hong Kong Tunnel Company Limited

The Administration Building, Cha Kwo Ling East, Kowloon, Hong Kong.
P. O. Box No. 68032, Kowloon East Post Office.

Your ref.: CB1/SS/4/04

30 April 2005

By Fax: 2121 0420

Mr. Andy Lau
Clerk to the Subcommittee
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Mr. Lau,

**Subcommittee to Study the Eastern Harbour Crossing Ordinance
(Amendment of Schedule) Notice 2005
Motion passed at the meeting on 28 April 2005**

We refer to the LegCo Subcommittee meeting on Thursday 28 April and your letter of the same date to the Secretary for the Environment, Transport and Works.

We would like to stress again that the current toll increase is the result of arbitration in accordance with the law and that it should be respected. We fully believe that the customers' interest will be best served by a series of frequent small toll increases. Small increases are not only more affordable but also ensure that users in one period do not subsidize users in another period. Unfortunately, however, over all these years the Government has refused to agree to any toll increase at all. This resulted in two very expensive arbitrations.

The reason the current increase is so high is simply delay. The Company's franchise to operate the Eastern Harbour Crossing expires in 2016. We only applied for a toll increase of \$5 (for private cars) in 2002. Due to a delay of two and a half years, the toll increase as awarded by the arbitrators now is \$10, as the Company is left with a shorter period in which to earn its reasonable but not excessive remuneration as provided under the law.

The arbitrators have awarded that the toll increase can take effect as soon as from 1 April 2005. The Company has already deferred the toll increase for one month to 1 May 2005 (with the toll increases on empty taxis and light buses to be further deferred to 1 July 2005 and 1 October 2005 respectively). Any further deferral will only mean a larger increase in future. These were all explained by our Chairman at the Transport Panel meeting on 22 April a copy of whose remarks was distributed at the time.

With kind regards,

Yours sincerely,
NEW HONG KONG TUNNEL CO. LTD.


Simon Cheng
Operations Manager

c.c. Ms/Annie Choi, Deputy Secretary for the Environment, Transport and Works